

MEMO

DATE: February 5, 2004

TO: Transportation and Communications Committee

FROM: Annie Nam, Senior Regional Planner, SCAG
(213) 236-1827; nam@scag.ca.gov

SUBJECT: Transportation Funding Shortfall and Conformity Implications

RECOMMENDATION:

Information Only

SUMMARY:

- Both the 2004 STIP Fund Estimate and the Governor's proposed budget reductions (mid-year and FY2005 proposals) have significant implications for the 2004 RTP and the 2004 RTIP.
- Staff and consultants estimate a \$4.3 billion potential reduction to the draft 2004 RTP financial plan (between now and the year 2010).
- The delay of projects or the termination of projects (as may be the case for some TCRP commitments) would limit the Region's ability to maintain conformity status.
- The timely implementation of projects and programs in the RTIP is essential to demonstrating the Region's conformance with the State Implementation Plan's goals and objectives for the attainment of air quality standards.
- Most critically, failure to implement the Transportation Control Measure (TCM) projects would jeopardize the Region's transportation conformity status, impacting the use of federal, state, and local transportation funds.

BACKGROUND:

- The 2004 STIP Fund Estimate, covering the five-year period from FY2005 through FY2009, indicates that there will be no new funding capacity.
- The Governor proposed \$1.1 billion in mid-year reductions to transportation programs statewide, exacerbating the funding situation. Additionally, the proposal would effectively eliminate the Transportation Congestion Relief Program (TCRP).

- The Governor released his FY2005 Budget on January 9, 2004. His proposal continues the mid-year reductions including the repeal of the statutory designation of the TCRP projects. Accordingly, the FY2005 Budget proposal suspends the transfer of Proposition 42 funds – totaling \$1.1 billion.
- Approved by voters in March of 2002, Proposition 42 provides for the annual transfer of gasoline sales tax revenues from the General Fund to the TCRP (for transportation projects).

Potential RTP Financial Plan Implications

Staff recognizes that the budget related items are simply proposals at this time. Until the budget is finalized, staff plans to move forward with the current draft 2004 RTP financial plan. Indeed, as more detailed and finalized information becomes available, appropriate adjustments would be made.

Accordingly, the following potential adjustments/reductions were estimated based upon currently available budget proposal information.

| POTENTIAL REDUCTIONS/ADJUSTMENTS TO THE 2004 RTP FINANCIAL PLAN | | | |
|---|---------------------------------------|---|-----------------------------|
| 2004 STIP Fund Est. | Reimburse GF for GO Bonds/Add'l Loans | Eliminate TCRP Projects and Formula Allocations | Total |
| ~\$900 million | ~\$400 million | ~\$3 billion | ~\$4.3 billion ¹ |

Conformity Implications

- At the present time, the 2001 RTP and the 2002 RTIP are the operating documents for project implementation in the SCAG Region. Both of these documents are federally approved and conform to laws pertaining to air quality.
- Conformity status of the 2001 RTP will lapse on June 8, 2004 and the funding status of the 2002 RTIP will expire on October 4, 2004.
- If the 2004 RTP and the 2004 RTIP are not in place as the federally approved/conforming documents in June and October of 2004 respectively, many of the projects in the SCAG Region would not be funded and in turn, implemented.
- A conformity lapse would trigger a loss in programming capacity -- impacting the use of federal, state, and local transportation funds.

¹ All estimates are in nominal dollars. Adjustment to constant 2002 year dollars is required to incorporate the impacts into the Plan forecast. This initial fiscal impact assessment represents the high end of a range – that is, the reductions could be between \$3 - \$4 billion, depending on the assumptions made in terms of recouping funds in the outer years (beyond FY2009).